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UNCLAS SECTION 01 OF 02 ABUJA 002989

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SUBJECT: NIGERDOCK: STORY OF A PRIVATIZATION

[11.](#) (SBU) Summary: The case history of Niger Dock, the first such privatization to feature an American firm, highlights the internal GON rivalries and other obstacles that privatization faces in Nigeria. Just when the issue seemed settled, and J. Raymond McDermott, Inc. (JRM), had won the Niger Dock bid with Global Electric Corporation, a new fly flew into the ointment as JRM withdrew its promise to become an equity partner. The latest developments of that situation will be dealt with in detail in a separate cable. End Summary.

Privatization Gameplan for Niger Dock

[12.](#) (U) When the GON rolled out its initial privatization plan in 1998, the government's sole shipbuilding company Niger Dock Nigeria, Ltd. was among the companies slated for privatization during Phase II of the Bureau of Public Enterprise's anticipated privatization program. Established in 1986 by the GON as Nigeria's preeminent shipbuilding and ship repair facility, Niger Dock had become a leading West African shipbuilder. However, its fortunes degenerated dramatically as a result of chronic mismanagement. Still, many observers believe a privatized Niger Dock can return to form.

[13.](#) (SBU) Despite numerous hiccups, Phase II remains on track. Yet Niger Dock's own privatization has not failed to generate extensive internal divisions within the GON, which in turn has transmitted diverse and confusing signals to potential investors.

High Drama Trails the Privatization Bid

[14.](#) (U) Niger Dock's privatization has been dogged by high drama among the various GON agencies involved in its privatization. On October 25, 2001 the BPE published the Bid Evaluation Criteria on approval by the National Council on Privatization (NCP.) According to the BPE privatization plan, the tender winner will own 51 percent of the company, the GON will retain 20 percent, while the remaining 29 percent would be sold to the general public.

[15.](#) (SBU) On October 31, just days before the final winner was to be announced, Nigerdock management -- also a bid contender as part of the Navimor International/Stolt Offshore joint venture -- withdrew its 2000 audited accounts already submitted to the BPE, claiming errors had been spotted in the audited accounts. Some observers viewed this development as a ploy to delay the bid opening since Navimor International had privately indicated its intention to withdraw from the bid. The National Council for Privatization (NCP) authorized the BPE to go ahead with the bid awards.

[16.](#) (SBU) Undeterred, BPE went ahead with the bid round since Global Energy Company/J. Ray McDermott, as well as Stolt Offshore, expressed willingness to continue with the bid. In support, the NCP ruled in favor of BPE and gave its nod to commence the bidding. Six serious contenders, including West African Shipyards Limited/Spring Fountain (a Niger Dock Management Buyout); Navimor International/Stolt offshore; and Global Energy Company(GEC)/J. Ray McDermott, submitted financial bids.

[17.](#) (SBU) When bids were opened November 9, the Global Energy Company (a Nigerian oil and gas firm)/J. Ray MacDermott partnership was the winner with a bid of N3.4

billion (USD 32 million). According to BPE advisors, the only other serious contender was Stolt/Navimor who had virtually withdrawn its bid between the first and second rounds. The only reason Stolt maintained its bid, according to the BPE advisor, was because McDermott's bid remained higher than its own. The reasons behind Stolt's disinterest are not known.

18. (SBU) Almost immediately after the award was announced, Transport Minister Ojo Maduekwe sought to reverse the bid process. Under his name, advertisements were placed in the local press claiming that since Niger Dock was under probe by a judicial commission, privatization of the company could not proceed. (In 2000, President Obasanjo had set up a judicial commission to look into the affairs of the company since 2000. This led to the dissolution of its previous board and the suspension of Niger Dock's previous Chief Executive.) BPE challenged the Minister's assertion. BPE's helmsman Nasir El-Rufai postulated that since the Judicial Commission was looking only into past activities, their findings in no way could corrupt the privatization process.

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McDermott Stands Down on Niger Dock, at Least for Now
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19. (SBU) Enter another fly into the Niger Dock ointment. On November 20, el-Rufai briefed Ambassador Jeter on the decision of J. Ray McDermott not to commit equity participation with GEC at this time, a message crafted on November 8 but undelivered to the BPE until after the bid award had been announced. In its message to GEC, McDermott indicated it agreed to remain a technical partner and provide capital equipment for Niger Dock capacity improvements. McDermott also kept the door open for increasing its participation in the near future. The BPE chief believed the complexion of the GEC/McDermott bid had been altered substantially by the McDermott decision. He feared this late change in the partnership arrangement jeopardized the entire Niger Dock bid process, and would give the upper hand to those who did not want Niger Dock privatization to proceed. (For more detail on the Ambassador's meeting with el-Rufai, see septel.)

110. (SBU) McDermott management confirmed to USDOC that although the company still had a strong interest in Nigerdock and was committed to provide significant technical and infrastructure support, corporate approvals for providing a 50/50 equity split with GEC for the project had not yet been forthcoming. Such technical participation, McDermott believed, was allowed under the draft sales and purchase agreement between GEC and the GON. GEC had already secured bank financing. And corporate buy-in at some level up to 50 percent could be obtained as early as the first quarter of 2002.
Jeter